

UAC INSURANCE MUTUAL

Board of Trustees Telephonic Conference

Wednesday, October 30, 2002, 9:00 a.m.

Call: 1-888-447-7153, Enter Code: 3051

A G E N D A

9:00	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	2002 General Budget Amendments	Shawn Guzman
	Discuss UACIM Director Position	Gary Herbert
	Schedule December Meeting	Gary Herbert
	Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual	
	Other Business	
9:30	Adjourn	

UACIM BOARD OF TRUSTEES TELEPHONIC CONFERENCE M I N U T E S

October 30, 2002, 9:00 a.m.

BOARD MEMBERS

PARTICIPATING:

Gary Herbert, *President*, Utah County Commissioner
Lynn Lemon, *Secretary-Treasurer*, Cache County Executive
Kay Blackwell, Piute County Commissioner
LaVar Cox, Millard County Commissioner
Ed Phillips, Millard County Sheriff
Tex Olsen, Sevier County Commissioner
Gene Roundy, Iron County Commissioner
Kent Sundberg, Utah County Deputy Attorney
Steve Wall, Sevier County Clerk-Auditor

BOARD MEMBERS

UNABLE to PARTICIPATE:

Dan McConkie, *Vice President*, Davis County Commissioner
Steve Baker, Davis County Personnel Director
Royal Norman, Box Elder County Commissioner

OTHERS PARTICIPATING:

Brent Gardner, UAC Executive Director
Shawn Guzman, UACIM Director
Sonya White, UACIM Administrative Assistant

CALL to ORDER

Gary Herbert called the meeting to order and welcomed those participating.

REVIEW of BOARD MEMBERS ABSENT

Steve Baker and Royal Norman requested to be excused from this telephonic conference due to prior commitments. Dan McConkie notified staff that he would be in California and would try to join the conference from there. Tex Olsen made a motion to excuse the Trustees unable to participate. Lynn Lemon seconded the motion, which passed unanimously.

SET DATE and TIME for CLOSED MEETING

Lynn Lemon made a motion to set the date and time for a closed meeting to discuss pending or reasonably imminent litigation to begin at 9:10 a.m. on October 30, 2002. Steve Wall seconded the motion, which passed unanimously.

Lynn Lemon made a motion to conclude the closed meeting at 9:15 a.m. on October 30, 2002. Gene Roundy seconded the motion, which passed unanimously.

ACTIONS on LITIGATION MATTERS

Kent Sundberg made a motion authorizing settlement in the amount of \$60,000 in the matter of SEV02088040. Tex Olsen seconded the motion, which passed unanimously.

2002 GENERAL BUDGET AMENDMENTS

The general budget proposed amendments were previously sent to the Board members for review. Shawn Guzman explained that the Board revised the budget in June because interest rates were lower than expected. It was projected that \$20,000 per month would be earned in interest. Rates have dropped again and the Mutual is receiving approximately \$17,000 per month in interest. Therefore, it is proposed that the *Investment Income* be lowered from \$240,000 to \$225,000. Glen Taylor, in his June actuarial review, determined that the Mutual has spent \$147,000 less in losses than budgeted resulting in a release of funds. It is proposed that the Board amend the budget to show the released funds by lowering the budgeted item *Losses* from \$1,850,000 to \$1,703,247. It is proposed that the budgeted item *Professional Fees* be increased from \$30,255 to \$47,000 due to the additional expenses incurred for the audit of the UACIM Transaction Fund and the June reserve study. It is proposed that the budgeted item *Other Expenses* be increased from \$48,300 to

\$50,000 due to the additional attorneys fees for the AIG matter. The financial statement for September show the net income at 666% of the projected budget. These amendments change the percent of net income to 85%, which more accurately represents the position of the Mutual with the year 75% complete. Statutory accounting amortizes the claims, broker and administration fees. Steve Wall made a motion to approve the 2002 General Budget as amended. Kay Blackwell seconded the motion, which passed unanimously.

Lynn Lemon is scheduled to present the 2003 budget to the membership at the annual meeting on November 13. The Board approved the 2003 budget on August 28, 2002 that Lynn will present. Shawn Guzman explained that there are some issues that need to be resolved that will change the 2003 budget. At its September 19 Board meeting the Trustees moved that Brent Gardner request that the UAC Board of Directors reimburse UACIM the unexpended salaries identified for the positions of Brett Rich and Mark Brady. The amount identified by Brent Gardner at the October 29, 1996 UACIM Board of Trustees meeting for unexpended salaries is \$76,388. At the October 9, 2002 UACIM Board of Trustees meeting, Robison Hill presented the Board with a reconciliation for the years 2000 and 2001. For year 2000 a net excess of \$262 was determined owed to UACIM and for year 2001 a net deficit of \$11,152 was determined owed to UAC. The Mutual Board agreed that \$65,498 (\$76,388+\$262-\$11,152) would be requested from the UAC Board as reimbursement of unexpended funds. Tex Olsen will present the Audit Committee report to the membership in November followed by Gary Herbert explaining the audit and decisions by the Board made during the September and October meetings. The other issue to be resolved is the reserves being held by UAC. The Mutual Board agreed that all reserves held by UAC for the Mutual should be returned to the Mutual and kept as a reserve on the Mutual's financials and shown as an asset of the Mutual. The total amounts to be returned are the Building Reserve - \$34,520, Building Repair Reserve - \$11,268 and Automobile Reserve - \$13,300. The Mutual will hold these reserves as written in the Sublease Agreement. The Board directed Shawn Guzman to review the Sublease Agreement for any needed amendments. The Mutual Board agreed that ownership of the automobiles (paid for by the Mutual and utilized 100% by Mutual employees) should be transferred to the Mutual. The Board agreed that all office equipment paid for 100% by the Mutual should be identified and used by Mutual employees. Office equipment paid for 50% by the Mutual should continue to be shared with UAC employees and Mutual employees. The Mutual Board will anticipate a new contract from UAC for services provided, amount budgeted - \$5000. Gary will present these items to the UAC Board of Directors at their November 13 meeting.

DIRECTOR POSITION

Gary Herbert announced to the Trustees that Shawn Guzman has accepted the position of St. George City Attorney. Shawn's final day will be November 8 but he has agreed to help with the membership meeting on November 13. Tex Olsen made a motion directing Sonya White to advertise for the Director's position in local and national publications. A Selection Committee, made up of but not limited to, Ed Phillips and Kent Sundberg will review the resumes received. Steve Wall seconded the motion, which passed unanimously.

OTHER BUSINESS

Shawn Guzman reported that Arthur J. Gallagher and Company have indicated that the Flood Zone A policy premium will be comparable to what the Mutual paid last year. It is Shawn's recommendation that the Mutual again pay this premium out of surplus since it appears the increase will not be as substantial as originally presented.

The next meeting of the Board of Trustees was scheduled for December 12, 2002, 9:00 a.m. at the Utah Association of Counties Building.

Approved on this 19 day of December, 2002

M. Lynn Lemon
UACIM Secretary-Treasurer

UAC INSURANCE MUTUAL
General Budget

	Revised Approved 6/27/02	Proposed Amendments
	2002 Budget	2002 Budget
REVENUE		
Premiums Written	3,612,410	3,612,410
Investment Income	240,000	225,000
Miscellaneous Income		
TOTAL REVENUE	3,852,410	3,837,410
LOSSES AND LOSS EXPENSES		
Losses	1,850,000	1,703,247
Claims Management Expenses	232,960	232,960
Reinsurance	1,100,244	1,100,244
Loss Adjustments for Previous Years	0	0
TOTAL LOSS EXPENSES	3,183,204	3,036,451
ADMINISTRATION EXPENSES		
Broker Fees	80,000	80,000
Administration Fees	494,804	494,804
Professional Fees	30,255	47,000
Interest Expense	0	0
Other Expenses	48,300	50,000
TOTAL ADMINISTRATION	653,359	671,804
TOTAL LOSSES AND EXPENSES	3,836,563	3,708,255
NET INCOME	15,847	129,155

UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL

Statutory Budget to Actual Comparison
For the Nine Months Ended September 30, 2002

	2002 Budget Proposed Amendment	2002 Budget As Amended June 27, 2002	Y-T-D Actual	(Comparison is to Proposed Amendment) Budget Remaining Percent Complete	
Income:					
Earned premium	2,512,166	2,512,166	1,854,182	(657,984)	74%
Investment income	225,000	240,000	179,519	(45,481)	80%
Miscellaneous income	-	-	2,394	2,394	0%
Total income	2,737,166	2,737,166	2,036,095	(701,071)	74%
Benefits:					
Losses	1,017,475	1,094,593	537,877	479,598	53%
Loss adjustment expenses	918,732	988,367	877,561	41,171	96%
Total benefits	1,936,207	2,082,960	1,415,438	520,769	73%
Administration expenses:					
Brokerage commissions	80,000	80,000	60,000	20,000	75%
Pool administration	494,804	494,804	371,103	123,701	75%
Professional fees	47,000	30,255	36,809	10,191	78%
Other expenses	50,000	48,300	42,521	7,479	85%
Total administration expenses	671,804	653,359	510,433	161,371	76%
Net income	129,155	15,847	110,224	(18,931)	85%

Year Complete=75%

10/27/96

BROKER'S REPORT

Rich Stokluska reviewed the written comments of Gallaghers' Professional Lines Department regarding the Pacific Insurance Company policy for UACIM Trustees Errors and Omissions Insurance and Directors and Officers Liability Coverage (see attachment #1). This policy form was utilized a few years ago and is no longer used by most insurers, therefore, replacing it will require two separate policies. Gallaghers recommends that the following changes be made immediately to the current policy; 1) named insured endorsement corrected, 2) coverage expanded, 3) amend deductible wording, 4) amend insuring agreement wording, and 5) delete "hammer clause". Basically, the policy should be cleaned-up and more specific as to the intent. The Board directed Brett Rich to contact Aon Risk Services and request that the policy be corrected (back to inception) as recommended by Gallaghers. The Board directed Rich Stokluska to quote the policy for 1997, after which time the Board will decide whether or not to maintain the current policy and Aon as the broker of record.

Brett Rich explained that Aon Risk Services is the broker of record for the Tenant User Liability Insurance Policy program (TULIP). The Board agreed to maintain Aon as the broker of record for the TULIP program.

1997 ADMINISTRATIVE BUDGET

Brent Gardner reviewed the line item breakdown and comparison of the 1997 and 1996 Administrative Budgets as requested by the Board. An ending balance of \$76,388 remains for the year ending 1995, due to budgeting of a full-time director who was not hired until late in 1995. This year (1996), the amount budgeted should approximately equal the amount spent. UACIM has paid this fee to the Utah Association of Counties (UAC) for the administration of the Mutual, legally any ending balance would be the property of UAC, but Brent feels that the UACIM Board should feel free to meet with the UAC Board to discuss the status of any excess funds. The Board agreed to wait until the year ending 1996 to assess the ending balance and decide at that time whether to meet with the UAC Board.

SUMMARY OF LOSS PREVENTION ACTIVITIES

In regards to a new vehicle for the Loss Prevention Department, Brett Rich explained that the new state contract just came out a couple of weeks ago. He reviewed the pricing on two vehicles, a Ford Taurus and a Chevrolet Lumina (with/without options), with the Board. Sid Groll made a motion to order/purchase the Ford Taurus with options and anti-lock brakes. Gerald Hess seconded the motion and the motion passed unanimously.

David Nelson reviewed his written report with the Board (see attachment #2). A risk review was conducted in Wasatch County on October 22. David has yet to receive a response from Wasatch County's 1995 risk review. David continues to work on the scheduling of training in the area of Personnel Discipline and Wrongful Termination via the USU Extension Satellite System, has evaluated the Duchesne County Water Conservancy District and has evaluated the new Piute County courthouse and made recommendations.

The Board directed David to work on scheduling time, at those counties who will be receiving awards, to make a special presentation at the Commission meetings.

PENDING OR REASONABLY IMMINENT LITIGATION

Gary Sullivan made a motion to set the date and time for closed meeting to begin at 12:00 p.m. on October 24, 1996, to discuss pending or reasonably imminent litigation. Gerald Hess seconded the motion and the motion passed unanimously.

Sid Groll made a motion to conclude the closed meeting. Gerald Hess seconded the motion and the motion passed unanimously.

OTHER BUSINESS

The next meeting of the Board of Trustees will be held December 19, 1996, at 9:00 in the UAC offices.

